



WENDY L. WATANABE
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

March 12, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

John Naimo FOR

SUBJECT: **HOUSE OF RUTH, INC. – A DEPARTMENT OF PUBLIC SOCIAL
SERVICES DOMESTIC VIOLENCE SUPPORTIVE SERVICES
PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a program and fiscal review of House of Ruth, Inc. (HOR or Agency), which covered a sample of transactions from July 2012 through October 2013. The Department of Public Social Services (DPSS) contracts with HOR, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) Program services to eligible victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims.

The purpose of our review was to determine whether HOR appropriately accounted for and spent DVSS Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid the Agency approximately \$416,000 from July 2012 through October 2013. The County's current contract with HOR is fee-for-service and requires the Agency to return or reinvest any unspent revenue. HOR provides services to residents of the First Supervisorial District.

Results of Review

HOR provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, the Agency did not always comply with all of the County contract requirements. Specifically, HOR inappropriately charged the DVSS Program \$1,703 in utility and equipment costs.

HOR's attached response indicates that they will repay DPSS \$1,703, and ensure shared expenditures are allocated appropriately.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with HOR and DPSS in February 2014. HOR's attached response indicates agreement with our findings and recommendations. DPSS will work with HOR to ensure that our recommendations are implemented.

We thank HOR management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:AA:pn

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
Leslie Pearce, Board President, HOR
Suzanne Aebischer, Executive Director, HOR
Public Information Office
Audit Committee

**HOUSE OF RUTH, INC.
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM
CONTRACT COMPLIANCE REVIEW
JULY 2012 THROUGH OCTOBER 2013**

ELIGIBILITY

Objective

Determine whether House of Ruth, Inc. (HOR or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS) Program eligibility requirements.

Verification

We reviewed the case files for 10 (25%) of the 40 participants who received services during August 2013 for documentation to confirm their eligibility for DVSS Program services.

Results

HOR had documentation to support all 10 participants' eligibility for DVSS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether HOR provided the services required by their County contract and DVSS Program guidelines, and whether the Program participants received the billed services.

Verification

We visited the two HOR service sites, and reviewed the case files for 10 (25%) of the 40 participants who received services during August 2013.

Results

HOR provided services in accordance with their County contract.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether HOR's staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for five (36%) of the 14 HOR employees who worked on the DVSS Program.

Results

HOR's staff had the qualifications required by their County contract.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether HOR properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed HOR's management, and reviewed their financial records and October 2013 bank reconciliation.

Results

HOR properly recorded revenue in their financial records, deposited Department of Public Social Services (DPSS) payments into their bank account timely, and Agency management reviewed and approved monthly bank reconciliations.

Recommendation

None.

EXPENDITURES

Objective

Determine whether expenditures charged to the DVSS Program were allowable under their County contract, properly documented, and accurately billed.

Verification

We interviewed HOR's personnel, and reviewed financial records for 15 non-payroll expenditures, totaling \$8,709, that the Agency charged to the DVSS Program from August 2012 through September 2013.

Results

HOR inappropriately charged \$1,703 (20%) of the \$8,709 in non-payroll expenditures reviewed to the DVSS Program. Specifically, HOR inappropriately:

- Allocated \$1,354 in utility costs to the DVSS Program based on estimates, instead of using an allowable method based on actual conditions as required.
- Billed \$349 to the DVSS Program for cameras. Specifically, the Agency billed 100% of the costs to the DVSS Program, even though the cameras were used for County and non-County programs.

Recommendations

House of Ruth, Inc. management:

1. Repay the Department of Public Social Services \$1,703 (\$1,354 + \$349).
2. Ensure that all non-payroll expenditures charged to the Domestic Violence Supportive Services Program are allowable, properly documented, and accurately billed.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether HOR's fixed assets and equipment purchased with DVSS funds were used for the Program, and were adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 11 items purchased with DVSS funds to verify the items exist and were being used as required.

Results

The items purchased with DVSS funds were used for the Program, and were adequately safeguarded.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether HOR charged payroll costs to the DVSS Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for five employees, totaling \$3,676, for August 2013 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for five HOR DVSS Program staff.

Results

HOR appropriately charged payroll costs to the DVSS Program, and maintained personnel files as required.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether HOR prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed HOR's Plan, and a sample of expenditures from August 2012 through September 2013.

Results

HOR prepared their Plan in compliance with their County contract. However, HOR did not appropriately allocate shared non-payroll expenditures to the DVSS Program as discussed above.

Recommendation

Refer to Recommendation 2.

CLOSE-OUT REVIEW**Objective**

Determine whether HOR had any unspent revenue for the DVSS Program for Fiscal Year (FY) 2012-13.

Verification

We traced the total revenues and expenditures from HOR's FY 2012-13 close-out reports to the Agency's accounting records, and to DPSS' payment records.

Results

HOR did not have any unspent revenue during FY 2012-13.

Recommendation

None.



February 14, 2014

BOARD OF
DIRECTORS

LESLIE PEARCE
President

KAREN TAYLOR-HERRING
Vice President

JAN BROWN
Secretary

THOMAS K. CARR, JR., CFP
Treasurer

Linda Gladson
Member at Large

MEMBERS
Hugh Avery
Julianne Baumann
Eleanor Brown
Sara Domonoske
Kevin Kenney
Lisa Phillips
Tony Ramos

EX OFFICIO

SUZANNE AEBISCHER
Executive Director

Wendy Watanabe, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

RE: DPSS Contract Compliance Review – CORRECTIVE PLAN

Dear Ms. Watanabe,

1. Expenditures Recommendation:

1. Repay the Department of Public Social Services \$1,703

House of Ruth will pay back \$1,703 once we get instructions regarding the process.

2. Ensure that all non-payroll Expenditures charged to the Domestic Violence Supportive Services Program are allowable, properly documented, and accurately billed.

House of Ruth management will insure that current allocation procedures are followed. The CFO, Grants Analyst and Senior Accountant will continue quarterly reviews and implement suggestions from the auditors.

We appreciate the professionalism and advice from the auditors during the compliance review.

Sincerely,

Sharon McGrath-Gold
CFO

C: Suzanne Aebischer, Executive Director, HOR